

Message Text

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ACTION EUR-12

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FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC PRIORITY 1134

C O N F I D E N T I A L BUDAPEST 1371

STADIS////////////////////////////////

FOR EUR/EE ONLY

EMO. 11652: GDS
TAGS: ETRD HU
SUBJECT: CONGRESSIONAL INQUIRY ON HUNGARIAN LIGHT BULBS

REF: STATE 81260

1. EMBASSY HAS BRIEFED GOH ON THE SENSITIVITY OF A POSSIBLE ANTI-DUMPING COMPLAINT AGAINST THE EXPORT OF LIGHT BULBS TO THE U.S. ARISING AT THIS TIME. WE EXPECT THE GOH TO BE FULLY PREPARED TO DISCUSS THE SUBSTANCE OF THIS ISSUE WITH DAS EHRENSHAFT OF TREASURY DURING HIS VISIT TO BUDAPEST LATER THIS WEEK.

2. THE SUBSTANCE OF THE COMPLAINT INVOLVES THE CLASSIC CASE OF DETERMINING PRODUCTION COSTS IN A SOCIALIST COUNTRY. THE EMBASSY DOES NOT HAVE A DEFINITIVE ANSWER TO THIS PROBLEM BUT WE EXPECT SOME USEFUL INFORMATION WILL COME OUT OF EHRENSHAFT'S VISIT. IN THE MEANTIME THE FOLLOWING INFORMATION MAY BE OF ASSISTANCE TO THE DEPARTMENT:

A. THE HUNGARIAN MANUFACTURER INVOLVED IS THE UNITED LAMP WORKS (TUNGSRAM). TUNGSRAM IS A LARGE, ESTABLISHED MANUFACTURER OF LIGHT BULBS, WITH SUB-
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SIDIARY FACTORIES IN AT LEAST TWO WESTERN COUNTRIES.

B. TUNGSRAM SALES ARE A SMALL PART OF THE U.S. MARKET. HUNGARIAN EXPORTS OF LIGHT BULBS WERE VALUED AT ABOUT \$3.8 MILLION IN 1976 AND \$4 MILLION IN 1977 BY THE U.S. DEPARTMENT OF COMMERCE.

C. IT IS NOT LIKELY THAT HUNGARIAN LIGHT BULB EXPORTS WILL INCREASE SUBSTANTIALLY IN THE NEAR FUTURE. ACCORDING TO THE U.S. IMPORTER (ACTION INDUSTRIES, 460 NIXON ROAD, CHESWICK, PENNSYLVANIA 15024, TELEPHONE (412) 782-4800) ITS AGREEMENT WITH TUNGSRAM LIMITS ITS PURCHASES FROM TUNGSRAM, AND THEREFORE HUNGARIAN EXPORTS TO THE U.S., TO 65 MILLION LIGHT BULBS PER YEAR. SINCE TUNGSRAM SELLS THROUGHOUT THE WORLD, AND SINCE IT MAKES A LARGER PROFIT IN OTHER MARKETS, IT IS NOT WILLING TO INCREASE ITS EXPORTS TO THE U.S.

D. ACTION AND TUNGSRAM HAVE AGREED TO THE ESTABLISHMENT OF A JOINTLY OWNED MANUFACTURING PLANT IN NEW JERSEY. THE PRODUCTION OF THIS PLANT WILL BE DESTINED EXCLUSIVELY TO THE U.S. MARKET. IT IS DESIGNED TO SUPPLY THE MOST COMMON TYPES OF LIGHT BULBS. DIRECT EXPORTS FROM HUNGARY WILL PROBABLY BE LIMITED IN THE FUTURE TO SPECIALIZED LIGHT BULBS, SUCH AS THOSE USED IN HOSPITALS FOR SURGICAL OPERATIONS. AT LEAST, THAT IS THE PRESENT PLAN OF BOTH ACTION AND TUNGSRAM.

3. MOST OF THE ABOVE INFORMATION HAS BEEN SUPPLIED IN THE PAST TO THE EMBASSY BY SHOLOM COMAY, SENIOR VICE PRESIDENT AND GENERAL COUNSEL OF ACTION. THE CONFIDENTIAL

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EMBASSY BELIEVES THAT MR COMAY WOULD BE MORE THAN WILLING TO SUPPLY FURTHER INFORMATION TO THE DEPARTMENT. THE EMBASSY HAS NOT DISCUSSED WITH COMAY THE PRESENT CONGRESSIONAL INQUIRY; WE HAVE NOT SEEN HIM FOR APPROXIMATELY THREE WEEKS. NEVERTHELESS, COMAY WAS ALERT TO THE POSSIBILITY OF A DUMPING COMPLAINT BEING MADE THE LAST TIME WE SAW HIM.

4. THE FACT THAT ACTION AND TUNGSRAM HAVE DECIDED THAT THEY CAN BETTER SUPPLY THE U.S. MARKET MORE ECONOMICALLY FROM A MANUFACTURING PLANT IN THE U.S. SEEMS TO THE EMBASSY TO BE THE STRONGEST ARGUMENT AGAINST A DUMPING COMPLAINT. THIS MANUFACTURING PLANT SHOULD BE IN OPERATION BY THE END OF 1978. ITS MAJOR COMPONENTS, WHICH ARE BEING EXPORTED FROM HUNGARY, ARE READY FOR SHIPMENT. IN FACT, THEIR SHIPMENT IS BEING DELAYED UNTIL THE TRADE AGREEMENT COMES INTO FORCE, SO THAT THE NEW JOINT VENTURE WILL BENEFIT FROM THE LOWER RATES OF DUTY WHICH WILL BE APPLIED AGAINST THIS MACHINERY.

5. EMBASSY WILL REPORT RESULTS OF EHRENHAFT'S DIS-

CUSSIONS IN BUDAPEST.

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